

**ITEM #33C**  
**REINSURANCE ARRANGEMENTS**

**Checklist for Non-Proportional Treaty Contract Clauses**

CEDING COMPANY: \_\_\_\_\_  
 REINSURER: \_\_\_\_\_  
 TYPE: \_\_\_\_\_  
 EFFECTIVE DATE: \_\_\_\_\_  
 EXPIRATION DATE: \_\_\_\_\_

The following are standard clauses for non-proportional reinsurance contracts. However, additional clauses may be included, depending on the particular need or purpose of the reinsurance arrangement. The clauses do not necessarily need to be in the same order as presented in this checklist. The applicant should complete Column 1 only. Columns 2 and 3 are for department use only.

		<i>(Department Use Only)</i>		
		<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
		Contract	Compliance	
		References	Yes/No	Comments
1.	<u>Preamble</u> Identifies the type and names the parties in the contract and their locations.	_____	_____	_____
	Note: Indicate affiliation and relationship of the parties by ownership.			
2.	<u>Commencement and Termination</u> Establishes the inception date, time of the contract and termination conditions.	_____	_____	_____
3.	<u>Business Covered</u> Provides a concise description of the business covered and establishes the nature of the attachment.	_____	_____	_____
4.	<u>Net Retained Lines</u> Clarifies that the reinsurance coverage provided is to protect the amount of net retained risk by the ceding company.	_____	_____	_____
5.	<u>Retention and Limits</u> Establishes the amount of the retention of the ceding company and the limit of liability of the reinsurer.	_____	_____	_____
6.	<u>Loss Notice and Settlement</u> Provides for contractual requirements that: (1) the ceding company gives notice to the reinsured once a claim exceeds the retention of the primary company or has the potential to exceed the retention; and (2) the reinsurer is bound by the settlements made by the ceding company if they are within the terms of the original policy. A specific timing for notice of loss settlement should be provided instead of "immediately" or "promptly."	_____	_____	_____

# CALIFORNIA CERTIFICATE OF AUTHORITY APPLICATION

***(Department Use Only)***

	<u>Column 1</u> Contract References	<u>Column 2</u> Compliance Yes/No	<u>Column 3</u> Comments
7. <u>Ultimate Net Loss Clause</u> Defines the term and addresses three points: 91) loss; (2) LAE; and (3) salvage and recoveries.	_____	_____	_____
8. <u>Extra Contractual Obligations (ECO) and Losses in Excess of Policy Limits (XPL)</u> Defines the term and addresses three points: 91) loss; (2) LAE; and (3) salvage and recoveries.	_____	_____	_____
9. <u>Premium</u> Establishes the premium for the coverage provided.	_____	_____	_____
10. <u>Reinstatement</u> Establishes a premium to reinstate the original limit.	_____	_____	_____
11. <u>Territory</u> Establishes the geographical area within which risks must be located to be covered.	_____	_____	_____
12. <u>Taxes</u> Clarifies which party is responsible for paying Federal Excise Taxes and Premium Taxes.	_____	_____	_____
13. <u>Currency</u> Establishes the currency to be used and the basis for conversion to U.S. dollars, if necessary. Note: This is only required if one of the parties to the reinsurance contract is an alien company.	_____	_____	_____
14. <u>Exclusions</u> Specifies what are NOT covered under the subject contract.	_____	_____	_____
15. <u>Access to Records</u> Gives the reinsurer the contractual right to inspect all of the ceding Company's records that pertain to the coverage provided by the contract.	_____	_____	_____
16. <u>Reports and Remittances</u> Provides for the accurate and timely reporting and payment of business ceded. A specific timing should be provided. Reporting and settlement should be made on a quarterly basis or earlier. If quarterly, reporting and settlement should be made within 45 days after the quarter.	_____	_____	_____
17. <u>Cash Call</u> Enables the ceding company to obtain immediate funds from the reinsurer when it has to pay a large claim.  Note: This is optional.	_____	_____	_____

# CALIFORNIA CERTIFICATE OF AUTHORITY APPLICATION

				<i>(Department Use Only)</i>		
				<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>
				Contract	Compliance	
				References	Yes/No	Comments
18.	<u>Errors and Omissions</u>	Provides coverage in spite of an error which is inadvertently made and corrected right away by the contracting parties.		_____	_____	_____
19.	<u>Offset</u>	Allows the ceding company or the reinsurer to offset balances due from one party to the other.		_____	_____	_____
20.	<u>Arbitration</u>	Provides for dispute settlement by arbitration rather than by civil action in a state or federal court. If present in the contract, a specific timing for the arbitration procedure should be provided.		_____	_____	_____
21.	<u>Insolvency</u>	Clarifies that the reinsurers are obligated to reimburse the ceding company without diminution, even though the ceding company may not be able to pay its claimants in full.		_____	_____	_____
22.	<u>Unauthorized Reinsurance</u>	Establishes the responsibility of non-admitted reinsurer(s) to provide acceptable securities to the ceding company in order for the company to qualify for reinsurance credit in the statement.		_____	_____	_____
Note: The Letter of Credit must meet the requirements of Bulletin 90-3 and the Trust Agreement must meet the requirements of the California Model Trust Agreement.						
23.	<u>Service of Suit</u>	Provides a legal remedy to collect sums due under the arrangement.		_____	_____	_____
Note: This is required if the reinsurer (alien insurer) is not admitted in the State of California.						
24.	<u>Intermediary</u>	Recognizes the intermediary, when one is used, and fixes the credit risk in the event of insolvency of the intermediary. This article should provide that <i>"Payments by the company to the intermediary shall be deemed to constitute payment to the reinsurer. Payments by the reinsurer to the intermediary shall be deemed to constitute payment to the company only to the extent that such payments are actually received by the company."</i>		_____	_____	_____
Note: Intermediary must meet the requirements of CIC Chapter 6.5.						

## For Department Use Only

Reviewed by:

\_\_\_\_\_

Date Reviewed:

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